



U.S. Department of Justice

United States Attorney

Eastern District of Pennsylvania

---

615 Chestnut Street

Suite 1250

Philadelphia, Pennsylvania 19106-4476

(215) 861-8200

For Immediate Release

November 20, 2008

## **SIX CHARGED IN \$40 MILLION CLASS ACTION FRAUD**

PHILADELPHIA - Acting United States Attorney Laurie Magid today announced the unsealing of an information<sup>1</sup> against Kevin Waltzer, and an indictment against Christian Penta, Deborah Rice, James Hall, IV, Paul Negroni, and Stephen Porto, charging them with participating in an extensive fraud scheme to obtain more than \$40 million in settlement funds from class action lawsuits.

According to the charges, between 2001 and 2007, defendants Waltzer, Penta, Rice, Hall, Negroni, and Porto submitted numerous false and fraudulent claims in three major class action lawsuits – In Re: Nasdaq Market-Makers Antitrust Litigation, In Re: Cendant Corporation Litigation, and In Re: BankAmerica Corporation Securities Litigation. Each of these class action lawsuits were settled for between hundreds of millions and billions of dollars. These funds were required to be distributed to legitimate claimants in the amounts to which they were entitled under the terms of the settlement agreements. In the three lawsuits, an accounting firm or a joint venture of two accounting firms were used to administer the massive settlements.

“Class action lawsuits play a vital role in vindicating the rights of thousands of people with legitimate legal claims,” said Magid. “But in this case, as the grand jury alleges, the defendants exploited the system and created their own virtual world, full of false names, fake accounts, and bogus corporations. The only thing real in their world was the intent to deceive.”

Leslie P. DeMarco, Special Agent in Charge of IRS-Criminal Investigation stated, "The indictment announced today reflects the combined efforts of the United States Attorney's Office, IRS-Criminal Investigation and the Federal Bureau of Investigation. The massive fraud alleged in the indictment exploited our legal system, our economy and our system of taxation. IRS-Criminal Investigation will continue to work closely with the law enforcement community and utilize our financial expertise to vigorously investigate those individuals who commit crimes against our society and threaten our nation's economy."

---

<sup>1</sup>An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

To successfully perpetrate the fraud scheme, the defendants took elaborate steps to produce the necessary records to manufacture and support their fraudulent claims. In particular, they created fake corporations to act as claimants, using false names for executive personnel, with addresses in the United States and in foreign countries. They opened bank accounts and established virtual offices for the fake corporations, with mailing addresses and telephone numbers. The virtual offices provided services to allow the defendants to retrieve the mail and receive telephone messages. The defendants then created fake brokerage account statements and other financial documents to show that their fake companies owned certain securities at the appropriate time that entitled them to share in the class action settlement funds.

"This is a particularly serious criminal scheme, in that the defendants engaged in an organized and long-term effort to steal money from victims within the settlement classes who were dependent on that money to restore the losses that they had suffered," said Acting Special Agent in Charge Robert F. Downey, of the Philadelphia Division of the FBI.

Each of the defendants served an important role in the scheme. Kevin Waltzer organized the scheme and recruited the other defendants to assist him. Christian Penta was a senior accountant with one of the accounting firms who acted as Waltzer's "eyes and ears" inside the accounting firm to make sure that the fraud scheme was successful and that it was not discovered. For example, Penta advised Waltzer about the timing to submit their fraudulent claims and how to prepare the claim forms and supporting documentation to ensure and maximize their recovery. In exchange, Waltzer paid Penta approximately 10% of the fraud proceeds. Waltzer also bought Penta a Cadillac Escalade and paid \$350,000 to the IRS on Penta's behalf to cover Penta's tax liability arising from a portion of the fraud scheme.

According to the charges, in or about early 2004, Kevin Waltzer began working with a corrupt attorney, Deborah K. Rice. Penta allegedly told Waltzer that the involvement of an attorney would help create the appearance of legitimacy for the fake claims that they were submitting. Rice then began to "represent" the fake companies and file fraudulent claims on their behalf. She then collected the proceeds of the scheme and distributed them as Waltzer directed. As a result of one fraudulent claim, for example, Rice received a check for over \$8 million, representing the fake company's share of the settlement proceeds. Rice then deposited the fraud proceeds in her law firm trust account from which she wired a portion of the proceeds to two separate bank accounts that were under Waltzer's control. For this fraudulent claim and the minimal work performed, Waltzer paid Rice and her law firm approximately \$100,000.

Waltzer also worked with defendants Paul Negroni and James Hall, IV, who filed false claims of nearly \$1 million in their own names and shared the proceeds with Waltzer and Penta. Negroni, Hall, and defendant Stephen Porto also worked with Waltzer to file other fraudulent claims in the names of fake companies. For example, defendant Waltzer and Negroni created a fake company, the Denver Corporation ("Denver"), and submitted a fraudulent claim in the name

November 20, 2008

Page 3

of that company. They incorporated Denver in New York, making Negroni the president, and opened a bank account for Denver with the Bank of New York. Based on this fraudulent claim, Negroni and Waltzer received more than \$228,000 in fraud proceeds.

The defendants often went to great lengths to make their fake companies look legitimate. For example, according to the charges, Stephen Porto traveled to Singapore as the vice president of one of the fake companies in order to obtain and mail documents and other information that would help make the fake company, "KimCorp," and its records appear legitimate. Waltzer and Porto then filed a fraudulent claim on behalf of KimCorp and, as a result, obtained more than \$940,000 in proceeds.

All six defendants are charged with mail fraud and wire fraud. Waltzer, Penta, and Rice are also charged with money laundering. Penta is also charged with filing false federal tax returns for filing returns that under reported his income and claimed deductions from income that he stated was generated from a legitimate business, but was simply the income generated in this fraud scheme.

#### INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE OR DATE OF BIRTH
Kevin Waltzer	Washington Crossing, Pennsylvania	41
Christian Penta	Southampton, NJ	38
Deborah Rice	Boca Raton, FL	47
James Hall, IV	Bel Air, MD	33
Paul Negroni	Mt. Kisco, NY	41
Stephen Porto	Boca Raton, FL	51

If convicted of all charges, under the advisory Sentencing Guidelines, Kevin Waltzer could face at least 25 years in prison. Christian Penta could face at least 12 years in prison. Deborah Rice could face at least 20 years in prison. James Hall, Paul Negroni, and Stephen Porto could face at least 9 years in prison.

The case was investigated by the Internal Revenue Service Criminal Investigation Division and the Federal Bureau of Investigation. It is being prosecuted by Assistant United States Attorneys Louis D. Lappen and Derek A. Cohen.

November 20, 2008  
Page 4

**UNITED STATES ATTORNEY'S OFFICE  
EASTERN DISTRICT, PENNSYLVANIA  
Suite 1250, 615 Chestnut Street  
Philadelphia, PA 19106**

**Contact: PATTY HARTMAN  
Media Contact  
215-861-8525**

*COPIES OF NEWS MEMOS AND RELATED DOCUMENTS CAN ALSO BE FOUND AT  
<http://www.usdoj.gov/usao/pae>*